

## **VETERANS SERVICE ORGANIZATION GRANTS**

**By Bruce R. Baker, Fiscal Analyst**

---

### **Program Background**

The Michigan Department of Military and Veterans Affairs provides grants to 12 Veterans Service Organizations (VSOs) within the State to assist veterans in obtaining service-related benefits. Though not authorized by Michigan statutory law, the State has a long history of providing discretionary General Fund support to VSOs. Legislative appropriation to a service organization began in 1927 when \$27,200 was awarded to the American Legion. The Veterans of Foreign Wars (VFW) was added as a grantee in 1932, and two years later the Disabled American Veterans (DAV) was added. The grants provided to VSOs continued to grow after the 1930s. In the 1959-60 fiscal year, for example, grants to VSOs totaled \$543,104, with the American Legion receiving \$135,000; the VFW, \$147,500; the DAV, \$147,500; the American Veterans of World War II and Korea (AMVETS), \$76,150; and the Marine Corps League, \$36,954.

Veterans Service Organizations that receive State funding are nonprofit organizations whose purpose is to assist and obtain benefits for veterans in the State, primarily those offered by the United States Department of Veterans Affairs (USDVA). A large part of an organization's time in this regard is spent in personal interviews, telephone interviews, and written correspondence with veterans. This may lead to the gathering of needed evidence and the filing of claims and insurance forms for processing by the USDVA. Based on the determination of the USDVA, a VSO also may assist a veteran in the appeal of a denied claim.

Since fiscal year (FY) 1989-90, appropriations have been made annually to a total of 12 VSOs, including the American Legion, DAV, Marine Corps League, AMVETS, VFW, Paralyzed Veterans of America-Michigan, Military Order of the Purple Heart, Veterans of World War I, the Polish Legion of American Veterans, Jewish Veterans of America, Vietnam Veterans of America-Michigan, and Catholic War Veterans. Table 1 shows a 14-year appropriation history for these organizations.

<b>Table 1</b> <b>MICHIGAN DEPARTMENT OF MILITARY AFFAIRS</b> <b>VETERANS SERVICE ORGANIZATION GRANTS</b>						
	<b>FY 1986-87</b>	<b>FY 1987-88</b>	<b>FY 1988-89</b>	<b>FY 1989-90</b>	<b>FY 1990-91</b>	<b>FY 1991-92</b>
American Legion	\$583,400	\$600,900	\$600,900	\$643,900	\$609,000	\$627,300
Disabled American Vets	529,100	545,000	545,000	561,500	553,000	569,600
Marine Corps League	243,200	250,500	250,500	258,000	254,000	261,600
AMVETS	336,200	346,300	346,300	356,800	351,000	361,500
Veterans of Foreign Wars	641,300	660,500	660,500	680,300	669,000	689,100
Paralyzed Veterans of America-Michigan	120,200	123,800	123,800	127,400	125,100	128,900
Purple Heart	113,500	117,300	117,300	120,900	119,100	122,700
World War I Vets	51,000	52,500	0	1	24,600	25,300
Polish Legion	30,000	30,900	30,900	31,800	31,300	32,200
Jewish War Veterans	30,000	30,900	30,900	31,800	31,300	32,200
Vietnam Veterans of America-Michigan	40,000	41,200	41,200	42,400	41,700	43,000
Catholic War Veterans	0	0	1,000	1	10,000	10,300
<b>TOTAL .....</b>	<b>\$2,718,300</b>	<b>\$2,799,800</b>	<b>\$2,749,300</b>	<b>\$2,854,802</b>	<b>\$2,819,100</b>	<b>\$2,903,700</b>

	FY 1992-93	FY 1993-94	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98
American Legion	\$627,300	\$637,400	\$656,500	\$676,200	\$696,500	\$710,400
Disabled American Vets	569,600	578,700	596,100	614,000	632,400	645,000
Marine Corps League	261,600	265,800	273,800	282,000	290,500	296,300
AMVETS	361,500	367,300	378,300	389,600	401,300	409,300
Veterans of Foreign Wars	689,100	700,100	721,100	742,700	765,000	780,300
Paralyzed Veterans of America-Michigan	128,900	131,000	134,900	138,900	143,100	145,900
Purple Heart	122,700	124,700	128,400	132,300	136,300	139,100
World War I Vets	25,300	100	100	100	100	100
Polish Legion	32,200	32,700	33,700	34,700	35,700	36,400
Jewish War Veterans	32,200	32,700	33,700	34,700	35,700	36,400
Vietnam Veterans of America-Michigan	43,000	43,700	45,000	46,400	47,800	96,100
Catholic War Veterans	10,300	10,500	10,800	11,100	11,400	11,600
<b>TOTAL .....</b>	<b>\$2,903,700</b>	<b>\$2,924,700</b>	<b>\$3,012,400</b>	<b>\$3,102,700</b>	<b>\$3,195,800</b>	<b>\$3,306,900</b>

Table 1 (continued) MICHIGAN DEPARTMENT OF MILITARY AFFAIRS VETERANS SERVICE ORGANIZATION GRANTS				
	FY 1998-99	FY 1999-2000	% Increase Since FY 1986-87	14-Year Total
American Legion	\$738,800	\$835,800	43.3%	\$9,244,300
Disabled American Vets	665,800	690,900	30.6	8,268,700
Marine Corps League	308,100	317,300	30.5	3,812,700
AMVETS	425,400	438,500	30.4	5,269,300
Veterans of Foreign Wars	811,500	835,800	30.3	10,046,200
Paralyzed Veterans of America-Michigan	151,700	156,300	30.4	1,879,900
Purple Heart	144,700	149,000	31.3	1,788,000
World War I Vets	100	100	(99.8)	179,401
Polish Legion	37,800	38,900	29.7	469,200
Jewish War Veterans	37,800	38,900	29.7	469,200
Vietnam Veterans of America-Michigan	146,100	150,500	276.3	868,100
Catholic War Veterans	12,100	12,500	--	111,601
<b>TOTAL .....</b>	<b>\$3,479,900</b>	<b>\$3,664,500</b>	<b>34.8</b>	<b>\$42,406,602</b>

Source: Appropriation acts

The State grants to VSOs have enjoyed continued support from the Legislature for many years. Overall support has increased by a total of 34.8% over the last 14 years (Table 1). During years when State budget targets precluded the Legislature from providing additional General Fund support to the Department of Military Affairs appropriation, existing funds were sometimes found elsewhere in the Department budget to provide increases to the VSO grants. In the FY 1993-94 budget, for example, the grant to World War I vets (who have declined in such numbers as to no longer require a grant) was reduced by the Legislature so those funds could provide an additional cost-of-living adjustment to the other VSOs. Boilerplate intent language also was added to the appropriation bill to state that World War I veterans would be served by other VSOs. The token \$100 appropriation for that year was necessary for the World War I veterans to maintain membership in the VSO organization.

### Services Provided by VSOs

The service organizations have an extensive network of full-time, part-time, and volunteer service officers allowing for at least a volunteer service officer in nearly all of the 1,220 local VSO units (posts, chapters, and detachments), and ensuring that there is no county in the State without a volunteer service officer. The VSOs have a total of 112.5 salaried employee positions who specialize in providing assistance to veterans. This includes 72 trained service officer positions that are accredited to represent veterans' concerns before the USDVA. Of the 72 positions, 40 are located at the various VSO State headquarters (mostly in Detroit) and 32 are at field stations throughout the State. Table 2 shows the distribution of employee positions by VSO for FY 1998-99. These service officers are trained advisors on the subject of benefits, legislation, health issues, and other matters that could affect a veteran. The officers can obtain a claimant's power of attorney, assemble case evidence, and distribute veterans information to field representatives; they also are certified to practice before the USDVA, Social Security Administration, and Civil Service Commission.

Recoveries of benefits for veterans obtained with the assistance of VSOs include compensation, pension, insurance, and other benefits. Table 3 shows the total recoveries by all of the VSOs by benefit type for FY 1992-93 and FY 1997-98. Table 4 shows the total recoveries by VSO grantee for the same years.

<b>Table 2</b> <b>VETERANS SERVICE ORGANIZATIONS EMPLOYEE POSITIONS</b> <b>DEDICATED TO BENEFIT ASSISTANCE</b> <b>FY 1998-99</b>			
	<b>Full-Time Veterans Service Officers</b>	<b>Part-Time Officers</b>	<b>Administration</b>
American Legion . . . . .	11.0	0.0	8.0
Disabled American Vets . . . . .	15.0	0.0	7.0
Marine Corps League . . . . .	4.0	1.0	2.0
AMVETS . . . . .	7.0	1.0	5.0
Veterans of Foreign Wars . . . . .	12.0	0.0	7.0
Paralyzed Veterans of America-Michigan . . . . .	4.0	2.0	2.0
Purple Heart . . . . .	6.0	0.0	2.0
World War I Vets . . . . .	--	--	--
Polish Legion . . . . .	1.0	0.0	1.5
Jewish War Veterans . . . . .	1.0	0.0	2.0
Vietnam Veterans of America-Michigan . . . . .	4.0	0.0	1.0
Catholic War Veterans . . . . .	2.0	1.0	0.0
<b>TOTAL . . . . .</b>	<b>67.0</b>	<b>5.0</b>	<b>37.5</b>

**Source:** Veterans Affairs Directorate

**Table 3**  
**VETERANS SERVICE ORGANIZATIONS COMBINED RECOVERIES**

Benefit	Number		Amount	
	FY 1992-93	FY 1997-98	FY 1992-93	FY 1997-98
Compensation - new claims . . . . .	1,067	837	\$5,001,154.68	\$6,480,056.00
Compensation - increases in award . . . . .	3,051	3,392	19,390,171.45	22,931,622.50
Compensation hospital ratings . . . . .	225	223	999,494.00	961,433.00
Compensation - confirmed & continued . . . . .	3,689	3,506	25,290,929.54	29,674,211.00
Pension - new claims . . . . .	1,569	1,234	10,600,400.07	10,793,627.00
Pension - confirmed & continued . . . . .	19,626	10,420	60,081,114.42	49,114,062.00
Education benefits . . . . .	2,399	1,549	4,263,621.79	3,048,679.76
VA hospital admissions . . . . .	416	241	2,230,530.00	1,679,969.00
Miscellaneous . . . . .	722	923	2,771,765.62	2,391,789.11
Dependency & indemnity compensation (including death compensation) . . . . .	550	485	4,218,747.07	4,760,284.09
Death pension - new claims . . . . .	1,510	521	4,249,141.56	1,883,861.00
Burial allowance . . . . .	1,991	1,860	1,078,046.63	1,109,190.00
Insurance . . . . .	244	141	1,702,058.66	1,479,989.17
Special categories . . . . .	69	51	1,387,707.92	1,603,630.00
Eligibility verification report . . . . .	783	51	2,536,812.50	209,147.00
Spina Bifida . . . . .	--	2	--	37,902.00
<b>TOTAL . . . . .</b>	<b>37,911</b>	<b>25,436</b>	<b>\$145,801,695.91</b>	<b>\$138,159,452.63</b>

**Source:** Michigan Veterans Organizations Rehabilitation and Veterans Service Committee Annual Reports.

**Table 4**  
**VETERANS SERVICE ORGANIZATIONS SHARE OF RECOVERIES AND STATE GRANTS**

	FY 1992-93		FY 1997-98		Percent of Total Grants to VSOs	
	Amount	% of All Recoveries	Amount	% of All Recoveries	1992-93	1997-98
American Legion	\$32,583,402.00	22.4	\$37,141,818.00	26.9	21.8	22.8
Disabled American Veterans	32,439,839.00	22.2	31,920,105.00	23.1	19.8	18.9
Marine Corps League	10,590,319.00	7.3	8,496,565.00	6.1	9.1	8.6
AMVETS	13,618,050.31	9.3	11,261,427.00	8.2	12.5	11.9
Veterans of Foreign Wars	36,606,831.00	25.1	33,247,821.00	24.1	23.9	22.8
Paralyzed Veterans of America	8,616,000.00	5.9	2,562,660.64	1.9	4.5	4.2
Purple Heart	6,681,875.02	4.6	6,609,188.00	4.8	4.3	4.1
World War I	1,832,126.00	1.3	--	--	.003	--
Polish Legion of American Veterans	128,220.58	.08	257,512.17	0.2	1.1	1.1
Jewish War Veterans	627,241.00	.4	137,365.00	0.1	1.1	1.1
Vietnam Veterans of America-Michigan	2,053,231.00	1.4	6,433,023.00	4.7	1.5	4.1
Catholic War Veterans	24,561.00	.02	91,967.82	.07	.4	.4
<b>TOTAL . . . . .</b>	<b>\$145,801,695.91</b>	<b>100.0</b>	<b>\$138,159,452.63</b>	<b>100.0*</b>	<b>100.0</b>	<b>100.0</b>

\*Rounded.

**Source:** Michigan Veterans Organization Rehabilitation and Veterans Service Committee Annual Reports.

### **Grant Eligibility and Distribution**

Boilerplate provisions within the Department's appropriation bill for the last several years supply guidelines for the eligibility and disbursement of VSO grants. The language requires that VSO grants be used only for salaries, wages, related personnel costs, training, and equipment for accredited veteran service advocacy officers, and necessary support and managerial staff. To receive a grant, a VSO must meet the following eligibility requirements: be an active participating member of the Michigan Veterans' Organization Rehabilitation and Veterans' Service Committee and abide by its rules, guidelines, and programs; demonstrate receipt of monetary or service support from its own organization; comply with Department-required audits and reports; and, if founded after September 30, 1989, be in operation for not less than two years and have filed a listing of service work activity and an accounting of recoveries with the Department.

In comparison to one another, VSO appropriations to the various organizations have remained quite stable. There has never been a stated rationale for determining exactly how much an organization should receive.

Support for the VSOs has been continuous in its current distribution format and relatively immune to the analysis and modification efforts that other State grant programs have faced. Also, except for the receipt and review of performance reports, the Department of Military Affairs, in administering these grants has, for the most part, taken a hands-off attitude toward them. This is not to say that VSOs have never undergone an analysis. In 1989, a VSO Audit Review Board, in response to Section 207(3) of Public Act 301 of 1988, looked at how to develop funding guidelines and other issues regarding VSO grants. The board discussed at length the idea of funding each organization based on its prior-year service performance. Appropriations to a VSO, it was suggested, could be based on the amount of service work of the organization and the dollar amount of recoveries collected annually from the USDVA. The idea was embraced by the board in theory, but it was decided that in practice the proposal would be unworkable for three reasons. First, the board felt that it would be very difficult to define and quantify service work in fair terms. Second, it was determined that such a formula would discriminate against the smaller VSOs that receive grants. Third, it was alleged that the added competition between the organizations to outproduce each other, could create improper reporting methods and otherwise cause animosity among groups working on a common goal. Despite this rejection of performance-based funding, the percentage of total funding for a given organization seems to approximate the percentage of all benefits recovered by that organization, as shown in Table 4.

Another change in the way VSOs have been funded was considered in recognition of the obvious duplication of administrative costs that occurs when the State funds 11 VSOs (not counting the veterans of World War I) that perform essentially the same tasks in attempting to service the Michigan veteran community. By supporting 11 different VSOs, the State is supporting 11 separate directors and 11 separate staffs, as well as supplies and equipment for each VSO. Recognizing this, the audit committee considered the notion of consolidating the separate VSOs into a single veteran affairs agency, thereby saving administrative overhead duplicated among the 11 existing VSOs. It was the audit board's opinion, however, that the existing VSOs were able to provide better, more personal and complete service, than a single agency could. It was felt that cooperative competition among the groups provided veterans with a choice of service officers and best assured them of a high standard of service quality.

Yet another concept that has been entertained to change the manner in which the State funds service officers was a proposal to appropriate all VSO funding to the VSO Rehabilitation and Veterans Service Committee, to which all existing State-funded organizations belong. The idea was to have that committee distribute funds to individual organizations, the rationale being that the individual organizations might know best how to allocate funds among themselves, since they are best aware of each organization's individual needs. Again, this concept proved unpopular due to the concern that it would be politically unworkable.

### **Program Oversight**

The issue as to whether sending over \$3.6 million annually in State funds to VSOs is the most efficient and effective way to provide benefit outreach and counseling for State veterans still is of concern to some. Michigan is unique among the states in that it gives funds to VSOs to provide benefit counseling, instead of directing State

employees to perform that function. In a sense, the State of Michigan "outsources" its veterans benefit counseling needs to the State's VSOs, yet without much of the scrutiny that may be required from other organizations that would have entered into a contract with the State for services. In a step toward providing additional scrutiny, the Legislature added a new requirement to the eligibility criteria for a VSO grant recipient in FY 1999-2000. The VSOs are now required to provide a broader picture of the overall budget of their organization by annually submitting a copy of their most recent and completed Internal Revenue Service Form 990. The form, required by the IRS of nonprofit organizations, provides information about an organization's sources of revenue, major categories of expenditures, and salaries of principal officers.

Another question that arises is whether the increases in grant amounts to VSOs in recent years are an accurate reflection of what arguably has been an era of declining need for benefit counseling. For example, Michigan's veterans population has declined from a total of 993,153 in 1990 to a total of 898,000 in 1999, and is expected to decline further as the State's 200,000 World War II veterans pass on. Table 3 shows that between FY 1992-93 and FY 1997-98 the number of cases and recoveries decreased—significantly in a number of categories.

The counterargument to the apparent declining need for benefit counseling is that benefit cases, while often less numerous than in the past, are more complicated. Current cases often involve contentious arguments about the effects of chemical exposure, stress, and other emotion-related claims. Service officers also are focusing more on outreach efforts, and dealing with benefit concerns of surviving spouses and other dependents.

To whatever degree the Michigan method of providing benefit counseling to its veterans is either effective or efficient, the best way to ensure the maximum benefit of State expenditures may be to insist that the Department of Military and Veterans Affairs take a greater role in the oversight and evaluation of this program.